

**Appendix 4 – The Center for Digital Democracy’s Application for cy pres Funds in
In Re: Google Buzz Privacy Litigation (submitted to the Rose Foundation Mar. 14,
2011)**

**IN RE GOOGLE BUZZ PRIVACY SETTLEMENT
CY PRES FUND APPLICATION FORM
Application Coversheet**

1. Name of Applicant Organization and EIN Number: Center for Digital
Democracy, 52-2311577

Type of organization: ☒ 501c(3) ☐ Other - *Please describe:*

2. Contact Information:

Contact Person, Title Jeffrey Chester, Executive Director
Address 1220 L St. NW #300
Washington DC 20005-4053
Telephone 202-986-2220
Email jeff@democraticmedia.org

3. Financial Information:

(a) your organization’s overall annual 2011 operating budget:
\$306,500

(b) total amount of money spent on Internet privacy or Internet
education programs in 2010:
\$176,076

(c) total amount of funding your organization received, if any, in
contributions from Google,
Inc. or the Google Foundation in 2010: none

(d) amount of funding you are requesting from this Settlement fund:
\$450,000

***For questions 4 & 5, you may submit a narrative response up to 4 pages, BUT YOU
MUST submit a brief description of no more than one paragraph. The
coversheet must fit on one page.***

4. Briefly describe any of your organization’s existing policy or education programs concerning Internet privacy issues—make sure to include the number of years you have had programming focused on Internet privacy. The Center for Digital Democracy (CDD) is recognized as one of the leading consumer privacy organizations in the United States. Since its founding in 2001 (and prior to that through its predecessor organization, the Center for Media Education), CDD has been at the forefront of research, public

education, and advocacy on protecting privacy in the digital age. Its impact has been highly significant, fostering widespread debate, educating a spectrum of stakeholders, and creating a legacy of government and self-regulatory safeguards across a variety of Internet and digital media platforms. CDD's public education programs are focused on informing consumers, policy makers, and the press about contemporary data collection and behavioral targeting issues.

5. Briefly describe the particular program that funding from this Settlement would support and describe how it would benefit the Class by furthering policy or education concerning Internet privacy. Social media data collection involves an array of complex and largely stealth techniques that can track a consumer's behaviors, including their online interactions with others and geographic location, often without the individual's knowledge. This lack of transparency raises particular concerns when it involves financial, health, and other sensitive kinds of information, and when data are collected from children and adolescents. CDD's project will develop a series of online consumer education resources focused on social media privacy in three key areas: Internet and mobile phone-based consumer financial services; 2) health and pharmaceutical marketing; and 3) the special needs of children and adolescents.

Since its establishment in 2001 (and before that for seven years as the Center for Media Education), CDD has played an important role educating consumers—from children and adolescents to their parents and other adults—about the new digital technologies and online services that affect their privacy. Our groundbreaking 1996 report on online marketing to children, “Web of Deception,” ignited a national debate and led to the passage of the Children’s Online Privacy Protection Act (COPPA) in 1998. CDD’s 2007 report on the role of data collection, interactive advertising, and the promotion of youth obesity-linked products—“Interactive Food & Beverage Marketing: Targeting Children and Youth in the Digital Age”—was the first major analysis of the relationship between privacy issues and food and beverage marketing. CDD’s policy research into the privacy issues raised by behavioral targeting and related interactive marketing techniques, submitted to the Federal Trade Commission in 2006 (with 2007 and 2008 follow-ups) led directly to that agency’s current inquiry into the issue (and helped the agency staff develop its newly proposed principles for consumer privacy protection and online marketing). Last year, three CDD reports—on data collection practices in the new online health marketplace, on privacy risks to underage youth from alcoholic beverage sites, and on new methods of tracking and selling a consumer’s data online—led to investigations by the FTC. Our work on social media medical marketing and privacy issues has triggered a review by the FDA concerning its rules governing health marketing on Facebook and other services. CDD’s 2009 report on mobile marketing privacy led to the FTC establishing a mobile privacy “forensics” lab. As a result of these various achievements, CDD has won praise from policymakers, the news media, consumer groups, and the public, who have come to rely on our organization as a source of well-researched information and analysis on the digital marketing industry and its impact on consumer privacy.

Today, the public has to maneuver through a complex array of increasingly personalized interactive services, including mobile and location-based applications, online videos, and social networks, as they seek information and engage in various transactions. Social media data collection practices include a host of ever-expanding techniques that capture both the personal information of an individual, along with one’s friends, other personal relationships, and outside “third-party” services. As CDD observed in one of its FTC filings, users of social media applications and services (such as Google Buzz) are particularly vulnerable: “As social networks have become increasingly popular in recent years, social media monitoring, a form of online surveillance, has become a common practice.... Social networks.... have taken behavioral targeting to another level, allowing marketers to target users based both on their online activities as well as on self-disclosed profile information. Few social media users understand the wide range of data tracking and targeting that operates on and via these networks.”

Social media and other forms of online marketing pose new challenges to consumers, since such marketing is able to combine ongoing data collection about individuals as they interact with entertainment and information sites and with other users. Digital “profiles” of consumers, used to track and then target them for products and services—including loans, credit, and even pharmaceuticals—can incorporate wide-ranging amounts of information. Behavioral profiling may contain data related to one’s ethnicity/race, income status, neighborhood, family status, interests, and propensity to spend (“shopping cart” behavior). With the rapid growth of mobile and location-based marketing services, individuals can be tracked and targeted in a “hyper-local” geographic area, often with little or no understanding of how the process works. While such practices are troubling for all consumers, they raise particular concerns for young people, who are especially avid users of social media and mobile phones, yet remain largely uninformed about the nature and extent of data collection and behavioral targeting on these platforms.

To address these vital privacy issues and, equally important, to prepare consumers to confront these issues themselves, CDD submits this general support proposal for \$450,000 for a two-year, multi-faceted public education project addressing three key areas of personal privacy connected to the growth of social media: 1) Internet and mobile phone-based consumer financial services; 2) health and pharmaceutical marketing online; and 3) the special needs of children and adolescents in the digital era.

I. Online Finances: Protecting Consumer Privacy in Sensitive Financial Transactions Online

A new era in financial marketing has emerged, with consumers increasingly relying on the Internet to research and apply for loans, credit, and engage in other financial transactions. According to a recent study, four out of every five online consumers now bank online. Mobile banking is dramatically growing as well, with more and more adults using their cell phones to conduct transactions. Financial service advertisers spent some \$2.8 billion last year to target U.S. consumers online—for mortgages, credit and credit cards, insurance, and loans for education. Increasingly, lending services are relying on social media to help generate “leads” for loans and credit card applications, as well as to foster favorable online “buzz” about a product or service. While the Internet can help inform consumer decision-making about financial products (and be tremendously convenient, especially on mobile devices), it can also be a confusing—and sometimes intentionally misleading—sales medium. Few consumers are aware of how the online financial marketing system operates, such as the role data collection plays in targeting individual consumers for specific loans or financial products. In order to make better decisions when using online financial services, consumers should have a clear understanding of the privacy issues involved as they conduct their fiscal affairs via the Internet.

Over the last several years, CDD has been conducting research to assess the technologies and techniques used in online financial marketing, including newly

emerging mobile and location-based applications, behavioral data collection and targeting, and social media. Few consumers, however, know about such techniques, including the role of “online lead generation”—where data collected via the Internet are used to identify consumers as prospects for the sales of products, including loans and credit cards—and why they receive certain financial offers online. Yet some \$1.5 billion was spent in 2009 solely for targeting consumers using online lead generation. Lower-income and minority consumers are often the targets of various online financial marketing services. The public should be better informed about the dynamics of online financial marketing services and practices, including the growing role of specialized Internet-based credit bureaus that evaluate them when they apply for various forms of credit online.

CDD proposes to create an online guide to digital financial marketing to serve the needs of consumers. It will describe, in easy-to-understand language and with visual illustrations, the various components of a consumer’s online financial experience (from initially researching a product, such as a credit card or home loan, to the final sale). The various techniques used in online financial marketing—lead generators, online credit ratings and bureaus, behavioral targeting and profiling, mobile and location services—will all be explained. The goal is to encourage prudent and informed use of what are essential applications for today’s increasingly Internet-focused financial consumers. Our guide will include a checklist of privacy-related questions consumers should ask as they go online to apply for loans and other forms of credit, along with other useful resources. We will also create a Spanish-language version of the guide.

II. Digital Health: Protecting Consumer Privacy in the Online Pharmaceutical Marketplace

Growing numbers of Americans are relying on the Internet, especially social media sites, to obtain information and support related to medical issues, including specific conditions, pharmaceuticals, and forms of treatment. Nearly \$1 billion was spent in 2010 for health and medical online advertising in the U.S. Drug and medical marketers argue that consumers are “empowered” to make better and more informed decisions regarding their health. A consumer, they say, can conduct a search on a specific drug, gain insight from other patients through postings on social media, and even download a discount coupon for their prescription using their mobile phone. However, many online health marketers use the same set of data-collection techniques, including behavioral targeting, that have already raised concerns over privacy. The data collected from a user or patient on health sites can include what some would consider very personal information, including their interests or concerns about serious diseases or illnesses, such as depression, COPD, arthritis, and diabetes. Many health sites use social media techniques that are designed to ensure data collection, but fail to meaningfully inform the patient or consumer about how that personal information may be used.

As part of its ongoing analysis of the interactive advertising marketplace, CDD has been able to document numerous consumer data collection practices through research analyzing drug company sites, social media services such as Facebook, digital health marketing trade publications, marketing research reports, and the services provided by digital health advertising companies. As with financial services, consumers seeking health information online should be much better prepared to navigate these still-uncharted waters. Our project proposes to meet these needs with an online guide to the digital health and pharmaceutical arena and the ways in which consumers can guard their privacy online. It will explain what consumers need to know when seeking health information online, such as when to consider keeping sensitive matters as private as possible. The guide will provide health consumers and patients with a reliable reference tool on data collection techniques in the new online health marketplace.

III. Children and Youth Online: Protecting the Privacy of the Internet's Most Vulnerable Users

Children and teenagers are at the epicenter of the new “digital marketing ecosystem,” based on their use of personal computers, social media, cell phones, mobile music devices, instant messaging, videogames, and virtual, three-dimensional worlds. Nearly 75 percent of all adolescents use social media, increasingly accessing social networking sites through their mobile phones. Many young people rely on social networks to seek help for their personal problems, to explore their own sexual identities, to find support groups for handling emotional crises in their lives, and sometimes to talk about things they do not feel comfortable or safe discussing with their own parents. Yet, for the most part, neither youth nor their parents fully understand how information is collected from them online, and how marketers and others use it. Data collected from young people online, often via non-transparent means, are used to track and target them wherever they go online.

Although children under 13 have some safeguards related to their online activities thanks to COPPA, there are currently no rules governing how data can be collected from them via such new technologies as mobile phones and online games. Nor are adolescents, who are generally treated as adults in terms of interactive data collection and online marketing, afforded online privacy protections, even though they have their unique developmental vulnerabilities. For example, recent research on adolescent brain development shows that the ability to address the privacy and marketing implications of online services occurs much later than was previously thought. Teens are also highly susceptible to influence by their peers, often engaging in risky behaviors without fully understanding the consequences of their actions. Our project will help this age group—who are the focus of a very powerful digital marketplace—to master the information and tools they need to navigate safely through the digital marketing ecosystem.

CDD will create online interactive guides that will help children and adolescents gain a clearer understanding of how digital marketing services designed to target

youth in particular are created and deployed online. These online resources will be specifically crafted for a younger audience, and we will also develop separate materials to assist parents and other adults. We will take children and teens through a typical online journey, breaking the process down to its basic components and providing a unique and much-needed overview of how digital marketing works. The guides will encourage young people to learn how information about them is collected and used when they are online—especially via mobile devices, online music services, Internet-connected video games, and social networks. Our goal is to encourage young people to become more knowledgeable consumers, developing a more complete understanding of what has become an increasingly complex and non-transparent process. We will also produce a report for parents, so they can better understand the process. We will distribute the report through our partnerships with such leading groups as the American Academy of Pediatrics and the American Academy of Child & Adolescent Psychiatry.